

**RICHARD CITY-DEPTFORD SCHOOL
GENERAL-PURPOSE SCHOOL FUNDS**

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

**JOHNSON, MURPHEY & WRIGHT, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA, TENNESSEE**

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RICHARD CITY-DEPTFORD SCHOOL
School Board Members
June 30, 2014

Cindy Blevins.....Director

Bill Norman Chairman

Bill Stuart.....Vice-Chairman

Melissa PhenisMember

II. FINANCIAL SECTION



Certified Public
Accountants

301 N. Market
Chattanooga, TN
37405

Office: 423-756-1170
Fax: 423-756-1436
www.jmw-cpa.com

Members
American Institute
of Certified
Public Accountants

Paul Johnson, III, CPA

Brian T. Wright, CPA

Karen Hutcherson, CPA

Marianne Greene, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Richard City-Deptford School

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Richard City-Deptford School, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Richard City-Deptford School, as of June 30, 2014, and, the changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Richard City-Deptford School's basic financial statements. The Introductory Section, combining and individual non-major fund financial statements and Supplementary Information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, and Supplementary Information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and Supplemental Information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

To the Board of Education
Richard City-Deptford School
Page Three

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2014, on our consideration of the Richard City-Deptford School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Richard City-Deptford School's internal control over financial reporting and compliance.

Chattanooga, Tennessee
October 31, 2014

Johnson, Murphy & Wright, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Richard City-Deptford School (RCDS) we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the RCDS for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the School's financial statements.

FINANCIAL HIGHLIGHTS

Richard City-Deptford School's assets exceeded its liabilities and deferred inflows of resources by \$1,931,704 (net position).

Total governmental activities operated at a surplus of \$39,308 for the year ended June 30, 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction of the RCDS's basic financial statements. The RCDS's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the RCDS's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the RCDS's assets, deferred outflows, liabilities and deferred inflows, with the difference reported as *net position*. Over time, increases or decrease in net position may serve as a useful indicator of whether the financial position of the RCDS is improving or deteriorating.

The *Statement of Activities* presents information showing how the RCDS's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements distinguish functions of the RCDS that are principally supported by taxes and intergovernmental revenues (governmental activities).

The government-wide financial statements include not only the RCDS, but also the operations of the Student Activity Funds. The governmental activities of RCDS include regular instruction, special education program, students and attendance, health services, other student support, regular and special education support, Board of Education, Superintendent, Principal, fiscal services, plant operations, maintenance of plant, food service, community services, student activities and interest on long-term debt.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The RCDS, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the RCDS are governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The RCDS maintains three individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, which is considered to be a major fund. Data from the other governmental funds are presented separately. Individual fund data for the non-major governmental funds are provided later in this report beginning on page 35.

The RCDS adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the major and non-major governmental funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13 through 22 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 23 through 33 of this report.

Other Information

The statements referred to earlier in connection with the non-major governmental funds, are presented immediately following the notes. Individual fund statements can be found on pages 35 through 39 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning RCDS. This supplementary information can be found on pages 40 through 45 of this report.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of RCDS, assets exceeded liabilities and deferred inflows of resources by \$1,931,704 at the close of this fiscal year.

A portion of the RCDS's net position (61.08%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any debt used to acquire those assets that is still outstanding. The RCDS uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although RCDS's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Richard City-Deptford School's Net Position

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Other assets	\$ 1,300,548	\$ 1,258,791
Capital assets	<u>4,190,622</u>	<u>4,322,934</u>
Total assets	<u>\$ 5,491,170</u>	<u>\$ 5,581,725</u>
Long-term liabilities	\$ 3,010,711	\$ 3,045,404
Other liabilities	<u>255,755</u>	<u>298,925</u>
Total liabilities	<u>\$ 3,266,466</u>	<u>\$ 3,344,329</u>
Deferred inflows of resources	<u>\$ 293,000</u>	<u>\$ 345,000</u>
Net investment in capital assets	\$ 1,179,911	\$ 1,277,530
Unrestricted	<u>751,793</u>	<u>614,866</u>
Total net position	<u>\$ 1,931,704</u>	<u>\$ 1,892,396</u>

None of the RCDS's net position represents resources that are subject to external restrictions on how they may be used. Therefore, \$751,793 in unrestricted net position may be used to meet the School's ongoing obligations to its students and creditors.

At June 30, 2014, the RCDS is able to report positive balances in all three categories of net position.

Changes in Net Position

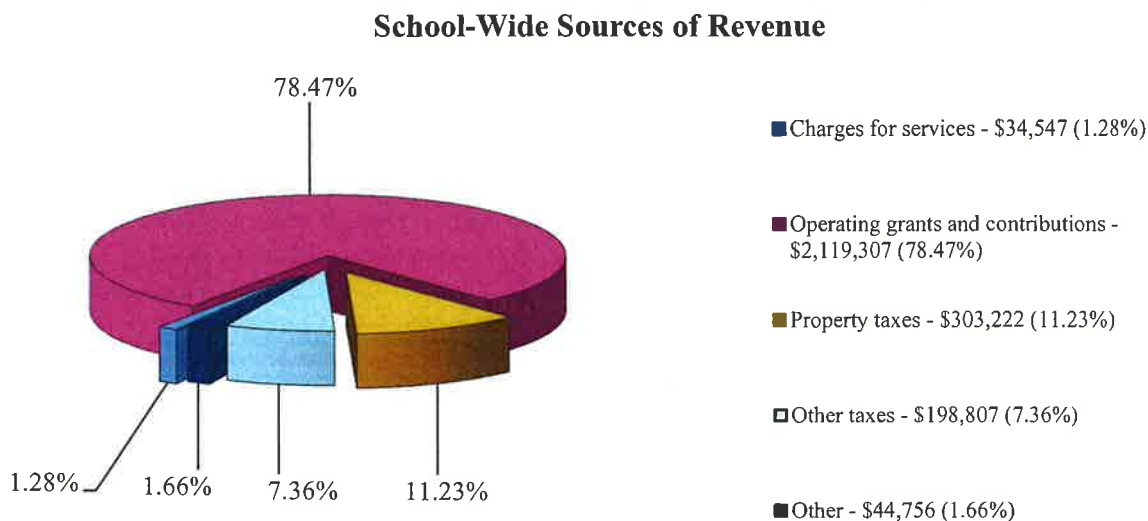
Governmental activities increased the RCDS's net position by \$39,308.

The table below provides a summary of RCDS's changes in net position.

Richard City-Deptford School's Changes in Net Position

	Governmental Activities	
	2014	2013
Revenues:		
Program revenues:		
Charges for services	\$ 34,547	\$ 40,799
Operating grants and contributions	2,119,307	2,007,236
General revenues:		
Property taxes	303,222	401,602
Other taxes	198,807	244,079
Other	44,756	21,108
Total revenues	<u>2,700,639</u>	<u>2,714,824</u>
Expenses:		
Regular instruction	1,190,032	1,189,547
Special education program	109,137	101,894
Students and attendance	32,854	25,457
Health services	43,447	30,707
Other student support	74,891	52,877
Regular and special education support	71,653	64,368
Board of Education	59,144	53,437
Superintendent	81,710	87,814
Principal	75,034	77,654
Fiscal services	38,965	38,400
Plant operation	418,381	403,121
Maintenance of plant	34,360	20,478
Food service	147,967	115,307
Community services	5,598	5,640
Student activities	120,024	99,754
Interest on long-term debt	<u>158,134</u>	<u>151,721</u>
Total expenses	<u>2,661,331</u>	<u>2,518,176</u>
Increase (decrease) in net position	39,308	196,648
Net position - beginning	<u>1,892,396</u>	<u>1,695,748</u>
Net position - end	<u>\$ 1,931,704</u>	<u>\$ 1,892,396</u>

The graphs below summarize the \$2,700,639 of the School's revenues by source.



FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As noted earlier, the RCDS uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the RCDS's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the RCDS's financing requirements. The unassigned fund balance may serve as a useful measure of a government's net resources available at the end of the fiscal year for future unforeseen emergencies.

As of the end of the current fiscal year the RCDS's governmental funds reported combined ending fund balances of \$751,793.

The General Fund is the chief operating fund of the RCDS. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$697,570. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total General Fund expenditures. Unassigned fund balance represents 30.00% of total General Fund expenditures.

The fund balance of the RCDS's General Fund increased by \$124,344 during the current fiscal year.

General Fund Budgetary Highlights

During the year, the following amendments were made to the original budget:

Total budgeted revenues increased by \$66,561.

Total budgeted expenditures increased by \$95,115.

Departmental budget officers closely monitored expenditures during the fiscal year in order to minimize budget amendments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The RCDS's capital assets for its governmental activities as of June 30, 2014, amounted to \$4,190,622 (net of accumulated depreciation). This investment in capital assets includes land, buildings, building improvements, and furniture, fixtures and equipment.

Major capital asset events during the current fiscal year included the following:

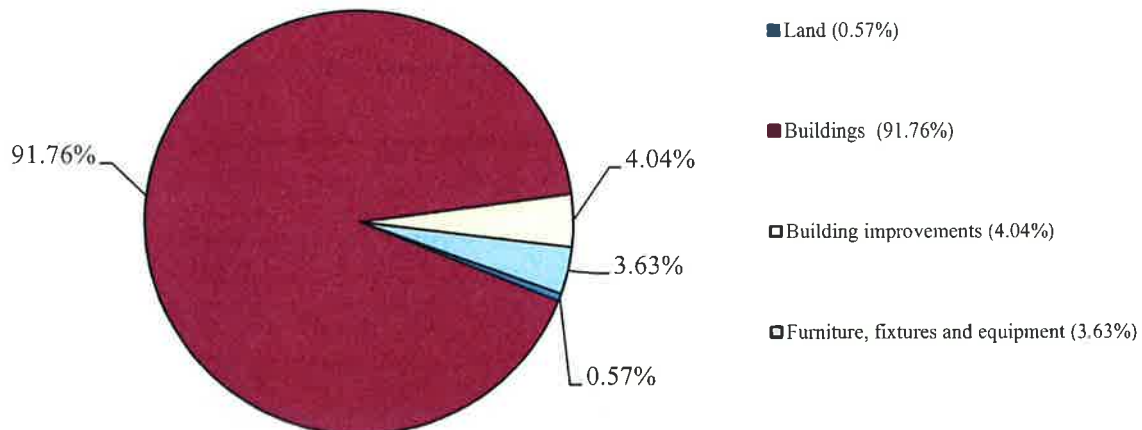
A/C units	\$ 44,853
Steam pipes	\$ 24,780
Sidewalks	\$ 1,100

Richard City-Deptford School's Capital Assets (Net of depreciation)

	<u>Governmental Activities</u>
Land	\$ 24,000
Buildings	3,845,508
Building improvements	169,180
Furniture, fixtures and equipment	<u>151,934</u>
	<u>\$ 4,190,622</u>

The following graph provides a breakdown of which assets make up the largest portion of the School's total investment in capital assets.

School-Wide Capital Assets



Additional information on the School's capital assets can be found in Note 5 on page 29.

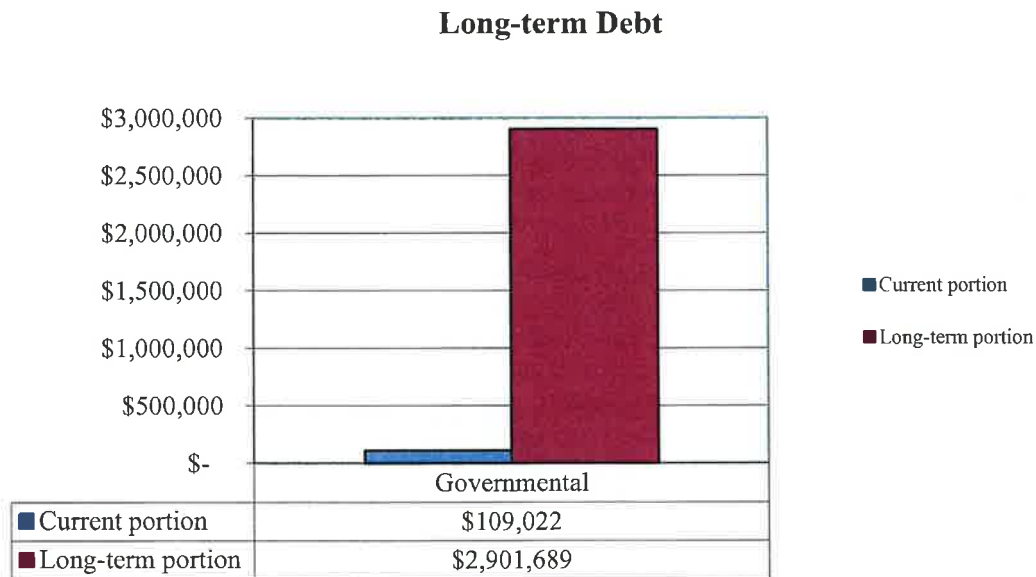
Richard City-Deptford School's Outstanding Debt

Long-term Debt

At the end of the current fiscal year, the RCDS had total long-term debt outstanding of \$3,010,711. Of this amount \$109,022 is due in the next fiscal year.

	Governmental Activities
School bonds - series 2000	\$ 1,095,000
School bonds - series 2004	<u>1,915,711</u>
	3,010,711
Current portion	<u>(109,022)</u>
Long-term debt	<u>\$ 2,901,689</u>

The graph below shows debt for governmental activities broken down into current and long-term portions.



Additional information on long-term debt can be found in Note 6 on page 30.

Currently Known Conditions Effecting Future Years

Richard City-Deptford School is considering combining their two outstanding bonds in order to lower the interest rates.

Requests for Information

This financial report is designed to provide a general overview of RCDS's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report and requests for additional financial information may be addressed to Richard Hardy Memorial School, 1620 Hamilton Avenue, South Pittsburg, TN 37380.

BASIC FINANCIAL STATEMENTS

RICHARD CITY-DEPTFORD SCHOOL
Statement of Net Position
June 30, 2014

	Governmental Activities
ASSETS	
Cash	\$ 648,256
Investments	256,758
Accounts receivable	10
Property tax receivable	297,932
Sales tax receivable	14,385
Grants receivable	82,042
Other current assets	1,165
Capital assets:	
Land and construction in progress	24,000
Other capital assets - net of accumulated depreciation	4,166,622
Total assets	<u>\$ 5,491,170</u>
LIABILITIES	
Accounts payable	\$ 39,703
Accrued liabilities	216,052
Non-current liabilities:	
Due within one year	109,022
Due in more than one year	2,901,689
Total liabilities	<u>3,266,466</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue - property tax	<u>293,000</u>
NET POSITION	
Net investment in capital assets	1,179,911
Unrestricted	751,793
Total net position	<u>1,931,704</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 5,491,170</u>

The accompanying notes are an integral part of the financial statements.

RICHARD CITY-DEPTFORD SCHOOL

Statement of Activities

Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government:					
Governmental activities:					
Regular instruction	\$ 1,190,032	\$ 16,720	\$ 1,792,647	\$ -	\$ 619,335
Special education program	109,137	-	70,816	-	(38,321)
Students and attendance	32,854	-	-	-	(32,854)
Health services	43,447	-	-	-	(43,447)
Other student support	74,891	5,777	-	-	(69,114)
Regular and special education support	71,653	-	29,617	-	(42,036)
Board of Education	59,144	-	-	-	(59,144)
Superintendent	81,710	-	-	-	(81,710)
Principal	75,034	-	-	-	(75,034)
Fiscal services	38,965	-	-	-	(38,965)
Plant operation	418,381	-	-	-	(418,381)
Maintenance of plant	34,360	-	-	-	(34,360)
Food service	147,967	12,050	93,777	-	(42,140)
Community services	5,598	-	-	-	(5,598)
Student activities	120,024	-	132,450	-	12,426
Interest on long-term debt	158,134	-	-	-	(158,134)
Total primary government	<u>\$ 2,661,331</u>	<u>\$ 34,547</u>	<u>\$ 2,119,307</u>	<u>\$ -</u>	<u>(507,477)</u>
General revenues:					
Property taxes					303,222
Payments in lieu of taxes					2,828
Local option sales tax					186,999
Hotel-motel tax					346
Bank excise tax					2,843
Wholesale beer tax					5,577
Other statutory local taxes					214
Interest revenue					1,142
Other revenues					43,614
Total general revenues					<u>546,785</u>
Change in net position					39,308
Net position - beginning					1,892,396
Net position - end					<u>\$ 1,931,704</u>

The accompanying notes are an integral part of the financial statements.

RICHARD CITY-DEPTFORD SCHOOL
Governmental Funds
Balance Sheet
June 30, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 564,283	\$ 83,973	\$ 648,256
Investments	256,758	-	256,758
Due from other funds	32,761	-	32,761
Accounts receivable	-	10	10
Property tax receivable	297,932	-	297,932
Sales tax receivable	14,385	-	14,385
Grants receivable	69,161	12,881	82,042
Other current assets	1,165	-	1,165
Total assets	<u>\$1,236,445</u>	<u>\$ 96,864</u>	<u>\$ 1,333,309</u>
LIABILITIES			
Accounts payable	\$ 35,823	\$ 3,880	\$ 39,703
Accrued liabilities	210,052	6,000	216,052
Due to other funds	-	32,761	32,761
Total liabilities	<u>245,875</u>	<u>42,641</u>	<u>288,516</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property tax	<u>293,000</u>	<u>-</u>	<u>293,000</u>
FUND BALANCES			
Assigned	-	54,223	54,223
Unassigned	<u>697,570</u>	<u>-</u>	<u>697,570</u>
Total fund balances	<u>697,570</u>	<u>54,223</u>	<u>751,793</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$1,236,445</u>	<u>\$ 96,864</u>	<u>\$ 1,333,309</u>

The accompanying notes are an integral part of the financial statements.

RICHARD CITY-DEPTFORD SCHOOL
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2014

Total fund balances per governmental funds balance sheet	\$ 751,793
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,190,622
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(3,010,711)</u>
Net position of governmental activities	<u>\$ 1,931,704</u>

The accompanying notes are an integral part of the financial statements.

RICHARD CITY-DEPTFORD SCHOOL
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2014

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Local taxes	\$ 476,872	\$ -	\$ 476,872
Special school district taxes	25,157	-	25,157
Licenses and permits	118	-	118
Charges for services	22,497	-	22,497
Other local revenues	56,530	157	56,687
Intergovernmental	1,803,906	182,951	1,986,857
Student activities	<u>-</u>	<u>132,450</u>	<u>132,450</u>
TOTAL REVENUES	<u>2,385,080</u>	<u>315,558</u>	<u>2,700,638</u>
EXPENDITURES			
Current expenditures			
Regular instruction	1,077,757	87,275	1,165,032
Special education program	71,334	37,803	109,137
Students and attendance	32,854	-	32,854
Health services	43,447	-	43,447
Other student support	74,044	847	74,891
Regular and special education support	14,627	57,026	71,653
Board of Education	59,144	-	59,144
Superintendent	81,553	-	81,553
Principal	75,034	-	75,034
Fiscal services	38,163	-	38,163
Plant operation	211,519	-	211,519
Maintenance of plant	33,261	-	33,261
Food service	147,533	-	147,533
Community services	5,598	-	5,598
Student activities	-	120,024	120,024
Capital outlay	102,042	-	102,042
Debt service	<u>256,707</u>	<u>-</u>	<u>256,707</u>
TOTAL EXPENDITURES	<u>2,324,617</u>	<u>302,975</u>	<u>2,627,592</u>
Excess (deficiency) of revenues over (under) expenditures	60,463	12,583	73,046
OTHER FINANCING SOURCES (USES)			
Proceeds from bond issuance	<u>63,881</u>	<u>-</u>	<u>63,881</u>
Net change in fund balance	124,344	12,583	136,927
Fund balances - beginning	<u>573,226</u>	<u>41,640</u>	<u>614,866</u>
Fund balances - end	<u>\$ 697,570</u>	<u>\$ 54,223</u>	<u>\$ 751,793</u>

The accompanying notes are an integral part of the financial statements.

RICHARD CITY-DEPTFORD SCHOOL
Reconciliation of Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2014

Net change in fund balances for total governmental funds	\$ 136,927
Governmental funds report capital outlay as expenditures, however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current period.	(132,312)
Repayment of long-term debt is reported as an expenditure in governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position.	98,574
Bonds issued are reported as a financial resource in the governmental funds. However, this is reported as an increase in long-term liabilities in the Statement of Net Position. During the year additional bond proceeds were drawn on bonds payable.	<u>(63,881)</u>
Change in net position of governmental activities	<u>\$ 39,308</u>

The accompanying notes are an integral part of the financial statements.

RICHARD CITY-DEPTFORD SCHOOL
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2014

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Local taxes				
County property taxes	\$ 344,955	\$ 366,079	\$ 278,065	\$ (88,014)
Payments in lieu of taxes	3,625	3,625	2,828	(797)
Local option sales tax	210,500	225,775	186,999	(38,776)
Hotel-motel tax	2,000	2,000	346	(1,654)
Bank excise tax	5,495	5,495	2,843	(2,652)
Wholesale beer tax	8,300	8,300	5,577	(2,723)
Mixed drink tax	-	-	98	98
Other statutory local taxes	335	335	116	(219)
Total local taxes	<u>575,210</u>	<u>611,609</u>	<u>476,872</u>	<u>(134,737)</u>
Special school district taxes				
City property tax	<u>15,650</u>	<u>15,650</u>	<u>25,157</u>	<u>9,507</u>
License and permits				
Marriage license	<u>150</u>	<u>150</u>	<u>118</u>	<u>(32)</u>
Charges for services				
Tuition	20,000	20,000	16,720	(3,280)
After school program	<u>6,500</u>	<u>6,500</u>	<u>5,777</u>	<u>(723)</u>
Total charges for services	<u>26,500</u>	<u>26,500</u>	<u>22,497</u>	<u>(4,003)</u>
Other local revenues				
Interest earned	750	750	985	235
Miscellaneous	4,000	22,378	24,335	1,957
Contributions and gifts	8,500	10,099	19,160	9,061
Lunch and snacks	<u>26,500</u>	<u>26,500</u>	<u>12,050</u>	<u>(14,450)</u>
Total other local revenues	<u>39,750</u>	<u>59,727</u>	<u>56,530</u>	<u>(3,197)</u>
Intergovernmental				
Education funds	1,493,524	1,503,709	1,528,861	25,152
Education funds - awards	169,366	169,366	169,366	-
Career ladder program	9,500	9,500	11,902	2,402
USDA lunch and breakfast	<u>70,000</u>	<u>70,000</u>	<u>93,777</u>	<u>23,777</u>
Total intergovernmental	<u>1,742,390</u>	<u>1,752,575</u>	<u>1,803,906</u>	<u>51,331</u>
TOTAL REVENUES	<u>2,399,650</u>	<u>2,466,211</u>	<u>2,385,080</u>	<u>(81,131)</u>

(Continued)

RICHARD CITY-DEPTFORD SCHOOL

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)

Year Ended June 30, 2014

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
EXPENDITURES				
Current Expenditures				
Regular instruction				
Salaries	\$ 915,890	\$ 829,069	\$ 805,300	\$ 23,769
Payroll taxes	69,329	65,745	65,745	-
Retirement	19,003	67,836	67,836	-
Medical insurance	52,924	37,622	37,622	-
Contracted services	18,500	15,555	15,927	(372)
Supplies and materials	40,306	65,682	65,382	300
Other charges	6,000	8,662	8,662	-
Unemployment insurance	12,022	11,283	11,283	-
Total regular instruction	<u>1,133,974</u>	<u>1,101,454</u>	<u>1,077,757</u>	<u>23,697</u>
Special education program				
Salaries	52,750	59,691	59,691	-
Payroll taxes	4,065	4,567	4,567	-
Retirement	3,996	4,825	4,825	-
Medical insurance	-	1,192	1,192	-
Contracted services	750	263	263	-
Supplies and materials	<u>1,550</u>	<u>1,550</u>	<u>796</u>	<u>754</u>
Total special education program	<u>63,111</u>	<u>72,088</u>	<u>71,334</u>	<u>754</u>
Students and attendance				
Salaries	22,500	23,000	23,000	-
Payroll taxes	1,721	1,759	1,759	-
Supplies and materials	1,900	5,007	5,007	-
Travel	<u>3,750</u>	<u>3,088</u>	<u>3,088</u>	<u>-</u>
Total students and attendance	<u>29,871</u>	<u>32,854</u>	<u>32,854</u>	<u>-</u>
Health services				
Salaries	30,540	27,540	34,411	(6,871)
Payroll taxes	2,337	2,069	2,069	-
Contracted services	500	-	-	-
Supplies and materials	2,575	3,062	3,062	-
Travel	3,250	2,846	2,846	-
Other charges	450	1,059	1,059	-
Dues and memberships	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total health services	<u>39,752</u>	<u>36,576</u>	<u>43,447</u>	<u>(6,871)</u>
(Continued)				

The accompanying notes are an integral part of the financial statements.

RICHARD CITY-DEPTFORD SCHOOL

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)

Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Other student support				
Salaries	\$ 16,650	\$ 1,875	\$ 1,875	\$ -
Payroll taxes	1,273	-	-	-
Contracted services	5,000	3,550	3,550	-
Supplies and materials	650	1,196	1,196	-
Travel	650	898	898	-
Other charges	55,000	66,550	66,525	25
Total other student support	<u>79,223</u>	<u>74,069</u>	<u>74,044</u>	<u>25</u>
Regular and special education support				
Salaries	-	3,572	3,572	-
Payroll taxes	-	196	196	-
Contracted services	8,000	7,999	7,999	-
Staff development	-	899	899	-
Supplies and materials	-	369	319	50
Travel	1,200	1,644	1,634	10
Other charges	60	8	8	-
Total regular and special education support	<u>9,260</u>	<u>14,687</u>	<u>14,627</u>	<u>60</u>
Board of Education				
Professional services	25,500	23,268	23,268	-
Travel	1,500	813	813	-
Other charges	1,000	225	266	(41)
Dues and memberships	1,500	2,281	2,281	-
Insurance	23,756	23,531	23,531	-
Trustee commission	10,500	8,985	8,985	-
Total Board of Education	<u>63,756</u>	<u>59,103</u>	<u>59,144</u>	<u>(41)</u>
(Continued)				

The accompanying notes are an integral part of the financial statements.

RICHARD CITY-DEPTFORD SCHOOL
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Salaries	\$ 60,754	\$ 60,754	\$ 60,754	\$ -
Payroll taxes	4,648	4,520	4,520	-
Retirement	5,395	5,411	5,411	-
Supplies and materials	300	143	143	-
Travel	4,000	3,484	3,484	-
Other charges	450	371	371	-
Dues and memberships	2,000	1,943	1,943	-
Communication	6,100	4,927	4,927	-
Total Superintendent	<u>83,647</u>	<u>81,553</u>	<u>81,553</u>	<u>-</u>
 Principal				
Salaries	53,020	54,033	54,033	-
Payroll taxes	4,056	3,559	3,559	-
Retirement	4,708	4,919	4,919	-
Medical insurance	6,548	5,934	5,934	-
Supplies and materials	50	31	31	-
Travel	1,500	1,170	1,170	-
Other charges	450	406	406	-
Dues and memberships	150	55	55	-
Communication	6,100	4,927	4,927	-
Total Principal	<u>76,582</u>	<u>75,034</u>	<u>75,034</u>	<u>-</u>
 Fiscal services				
Salaries	33,000	31,975	31,975	-
Payroll taxes	2,526	2,446	2,446	-
Supplies and materials	1,500	1,356	1,419	(63)
Travel	3,000	574	574	-
Other charges	3,350	1,749	1,749	-
Total fiscal services	<u>43,376</u>	<u>38,100</u>	<u>38,163</u>	<u>(63)</u>
(Continued)				

The accompanying notes are an integral part of the financial statements.

RICHARD CITY-DEPTFORD SCHOOL

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)

Year Ended June 30, 2014

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Plant operation				
Salaries	\$ 50,000	\$ 58,165	\$ 58,165	\$ -
Payroll taxes	3,825	4,146	4,146	-
Contracted services	12,000	12,738	12,738	-
Supplies and materials	14,691	13,531	13,531	-
Travel	1,500	2,753	2,753	-
Other charges	1,000	10,965	10,965	-
Insurance	14,832	15,152	15,152	-
Utilities	101,725	94,069	94,069	-
Total plant operation	<u>199,573</u>	<u>211,519</u>	<u>211,519</u>	<u>-</u>
Maintenance of plant				
Maintenance and repairs - building	5,000	9,650	9,650	-
Maintenance and repairs - equipment	8,000	7,120	7,120	-
Vehicle	1,000	660	660	-
Equipment and machine parts	2,000	975	975	-
Contracted services	<u>8,500</u>	<u>14,856</u>	<u>14,856</u>	<u>-</u>
Total maintenance of plant	<u>24,500</u>	<u>33,261</u>	<u>33,261</u>	<u>-</u>
Food service				
Salaries	27,000	30,920	30,920	-
Payroll taxes	2,066	1,714	1,714	-
Contracted services	80,000	94,476	94,476	-
Supplies and materials	2,000	2,351	2,351	-
Staff development	200	334	334	-
Travel	1,000	918	918	-
Other charges	<u>10,000</u>	<u>16,730</u>	<u>16,820</u>	<u>(90)</u>
Total food service	<u>122,266</u>	<u>147,443</u>	<u>147,533</u>	<u>(90)</u>
Community services				
Salaries	5,000	5,184	5,184	-
Payroll taxes	<u>383</u>	<u>414</u>	<u>414</u>	<u>-</u>
Total community service	<u>5,383</u>	<u>5,598</u>	<u>5,598</u>	<u>-</u>

(Continued)

The accompanying notes are an integral part of the financial statements.

RICHARD CITY-DEPTFORD SCHOOL
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended June 30, 2014

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
EXPENDITURES (Continued)				
Capital outlay				
Regular instruction equipment	\$ 2,500	\$ 25,000	\$ 25,000	\$ -
Superintendent equipment	250	157	157	-
Fiscal services equipment	600	802	802	-
Maintenance of plant equipment	2,000	1,099	1,099	-
Food service equipment	-	434	434	-
Building improvements	15,000	77,250	74,550	2,700
Total capital outlay	20,350	104,742	102,042	2,700
Debt service				
Principal paid on debt	67,000	70,000	98,573	(28,573)
Interest paid on debt	185,500	184,158	158,134	26,024
Total debt service	252,500	254,158	256,707	(2,549)
TOTAL EXPENDITURES	2,247,124	2,342,239	2,324,617	17,622
Excess (deficiency) of revenues over (under) expenditures	152,526	123,972	60,463	(63,509)
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issuance	-	-	63,881	63,881
Net change in fund balance	152,526	123,972	124,344	372
Fund balances - beginning	573,226	573,226	573,226	-
Fund balances - end	\$ 725,752	\$ 697,198	\$ 697,570	\$ 372

The accompanying notes are an integral part of the financial statements.

RICHARD CITY-DEPTFORD SCHOOL
Notes to Financial Statements
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Richard City-Deptford School have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board, the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the more significant accounting policies:

A. Reporting Entity

In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP and GASB issued Statement No. 14, *The Financial Reporting Entity*. This statement requires that the financial statements present the Richard City-Deptford School (the primary government) and any component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting one of the following criteria; the primary government is accountable for the potential component unit (i.e., the primary government appoints the voting majority of its board and the primary government is able to impose its will upon the potential component unit); or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government.

Based on the foregoing criteria there are no entities which meet the above criteria for inclusion in the Richard City-Deptford School financial statements.

B. Basic Financial Statements

The basic financial statements include both government-wide (based on the School as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize activities as governmental activities.

Government-wide statements

The Statement of Net Position and Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. In the government-wide Statement of Net Position, the governmental activities column (a) is presented on a consolidated basis for column, and (b) is reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements (Continued)

Government-wide statements (Continued)

The Statement of Activities presents both a gross and net cost comparison between direct expenses and program revenues for each function of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. The net cost (by function) is normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.). Historically, the previous model did not summarize or present net cost by function or activity. When both restricted and unrestricted net position are available for use, it is the School's policy to use restricted net position first, then unrestricted net position as needed.

This government-wide focus is designed to view the School as a complete entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Fund Financial Statements

The fund financial statements provide information about the School's funds (its governmental funds). Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The School reports the following major governmental fund:

General Fund

This is the School's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

C. Measurement Focus - Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which there is an enforceable lien. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All governmental fund financial statements are reported using the current financial resources measurement focus. With this measurement focus and the modified accrual basis of accounting, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The School considers property taxes as available if they are collected within 60 days after the year-end. Those revenues susceptible to accrual are taxes, tuition and interest revenue. Licenses and permits, and most miscellaneous revenues are recorded as revenues when received in cash, because they are generally not measurable until actually received. Expenditures are recorded when the related fund liability is incurred, if measurable, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus - Basis of Accounting (Continued)

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the governmental activities column in the government-wide financial statements, a reconciliation is presented on the page following each statement which briefly explains the adjustments necessary to transform the fund-based financial statements into the governmental activities column of the government-wide presentation.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Fund Balance

Assigned Fund Balance:

Amounts that are constrained by the School's intent to be used for specific purposes are reflected as assigned in the accompanying financial statements. The principal is the official authorized to assign amounts to a specific purpose. Authorization is established by the *Tennessee Internal School Uniform Accounting Policy Manual*.

Unassigned Fund Balance:

In accordance with generally accepted accounting principles, the General Fund is the only fund that reports amounts for unassigned fund balance. This classification represents fund balance that is not restricted and has not been assigned to specific purposes within the General Fund.

When both assigned and unassigned resources are available for use, it is the School's policy to use assigned resources first, then unassigned resources as they are needed.

E. Budgets

The School is required by state statute to adopt annual budgets. The General Fund and Federal Projects Fund budgets are prepared on the basis where current available funds must be sufficient to meet current expenditures. Expenditures may not legally exceed appropriations authorized by the School Board, and any authorized revisions.

The Student Activity Fund is not required by state statutes to have an appropriated budget. However, student activity funds are required to have a management budget for each fiscal year.

Budgeted amounts are adopted in accordance with accounting principles generally accepted in the United States of America (GAAP). Therefore, no adjustments are necessary to convert to the actual GAAP data from the budgetary basis. During the year, several supplementary appropriations were necessary. All appropriations which are not expended lapse at year-end.

F. Cash

For the purpose of reporting cash on the Statement of Net Position, the School considers all unrestricted highly liquid investments with an initial maturity of three months or less, when purchased to be cash equivalents, cash consists of cash-on-hand and on-deposit with financial institutions. These are classified on the Statement of Net Position as "Cash". At June 30, 2014, there were no cash equivalents.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments

Investments are carried at fair value, which approximates cost, and consist of certificates of deposit. These are classified on the Statement of Net Position as "Investments".

The School is authorized by State Statutes to invest in the following:

Bonds, notes or treasury bills of the United States.

Nonconvertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank and the Student Loan Marketing Association.

Any obligation guaranteed by the United States or any of its agencies.

Certificates-of-deposit at state and federal chartered banks and savings and loan associations.

The Local Government Investment Pool created by Title 9.

H. Interfund Transactions

Interfund Receivables and Payables

Short-term advances between funds are not eliminated but accounted for in the appropriate interfund receivable and payable accounts classified as due to other funds and due from other funds in the fund financial statements, and are subject to elimination upon consolidation.

Transactions between Funds

Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures or expense in the fund that is reimbursed. All other legally authorized transfers are not eliminated but treated as operating transfers and are included as other financing sources or uses in the governmental funds.

I. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended asset's lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Buildings	15-40
Furniture, fixtures and equipment	3-20
Building improvements	7-15

J. Compensated Absences

Vacation pay is not computed or paid separately, but is built into salaries which are paid over the twelve month school year. Therefore no accrual is required. The granting of sick leave has no guaranteed payment attached and requires no accrual.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position.

L. Net Position

Net position is the residual of all elements presented in the Statement of Net Position (i.e., assets + deferred outflows - liabilities - deferred inflows). Net investment in capital assets represents capital assets reduced by accumulated depreciation and by any outstanding debt related to the acquisition, construction or improvement of those assets. Restricted net position represents restricted assets which are maintained for a specific purpose. At June 30, 2014, there was no restricted net position.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Currently, the Entity has no items that qualify for reporting as a deferred outflow of resources.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Richard City-Deptford School has only one type of item that qualifies for reporting in this category. Accordingly, the item, deferred revenue - property tax, is reported in the financial statements.

N. Prepayment of Expenditures

Governmental fund expenditures for insurance and similar services extending over more than one accounting period are not allocated between accounting periods but accounted for as expenditures of the period of acquisition.

O. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

P. Student Activity Fund

Richard City-Deptford School's Activity Fund is authorized by the Board of Education's adoption of the "Tennessee Internal School Financial Management Manual". Funds are received from fund-raisers. The proceeds received are used to benefit all students, or the restricted purpose for which they were collected. These funds are the property of Richard City-Deptford School, and they are responsible for them when received by their employees.

Q. Events Occurring after Reporting Date

The School has evaluated events and transactions that occurred between June 30, 2014, and October 31, 2014, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - DEPOSITS

Deposits

Custodial credit risk is the risk that in the event of a bank failure the School's deposits may not be returned to it. The School does not have a deposit or investment policy for custodial credit risk, however, the State of Tennessee requires its governmental entities to either meet the deposit and collateralization regulations under TCA Title 9, Chapter 4, Parts 1 and 4, or as provided in the collateral pool. As of June 30, 2014, the carrying amount of the School's deposits was \$905,014, and the bank balance was \$900,382. At year-end, none of the School's bank balance was exposed to custodial credit risk as uninsured and uncollateralized.

The carrying amount of the School's deposits and certificates of deposit is classified as follows on the Statement of Net Position:

Cash	\$ 648,256
Investments	<u>256,758</u>
Total	<u>\$ 905,014</u>

Investments

The School's investments are carried at fair value, and consist of certificates of deposit. The School's investments are listed on the Statement of Net Position are as follows:

Investments	<u>\$ 256,758</u>
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NOTE 3 - PROPERTY TAXES

The School recognizes property tax revenues on the accrual basis in the government-wide financial statements, and in the governmental funds they are recognized on the modified accrual basis, as prescribed by the Governmental Accounting Standards Board.

Special School District property taxes received by the School are assessed by the Tax Assessor of Marion County, Tennessee, and collected by the County. Taxes are due October 1, and become delinquent March 1. The tax rate for the 2014 year was \$.1965 per \$100 of assessed valuation.

The School also receives .0669% per \$100 of the total assessed valuation for Marion County. This rate is based on school attendance.

Marion County has periodic public sales of delinquent tax properties. Accordingly, there is no allowance for uncollectibles recorded in the financial statements.

In addition to the Special School District property taxes, the School receives a portion of county property taxes and other miscellaneous county taxes, based on the percentage of the School's student enrollment to total county school enrollment.

Property taxes for the 2014 levy are considered to be owed to the School as of the lien date on January 1, 2014. Therefore, the entire 2014 levy was recorded as a receivable and deferred revenue as of June 30, 2014, in the financial statements.

NOTE 4 - GRANTS RECEIVABLE

Grant receivable at June 30, 2014, consists of the following:

U.S. Department of Education	
Elementary and Secondary Education Act	
Title 1, Part A	\$ 3,336
IDEA - Part B	1,091
IDEA - Preschool	317
Title II, Part A	317
Title VI	7,820
State Discretionary - Coordinated School Health - Expansion	26,514
State Discretionary - Early Childhood Education - Pilot/State	<u>42,647</u>
 Total	 <u>\$ 82,042</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 24,000	\$ -	\$ -	\$ 24,000
Total capital assets not being depreciated	<u>24,000</u>	<u>-</u>	<u>-</u>	<u>24,000</u>
Capital assets being depreciated:				
Buildings	5,631,495	-	-	5,631,495
Building improvements	613,797	1,100	-	614,897
Furniture, fixtures and equipment	<u>296,856</u>	<u>69,633</u>	<u>(15,167)</u>	<u>351,322</u>
Total capital assets being depreciated	<u>6,542,148</u>	<u>70,733</u>	<u>(15,167)</u>	<u>6,597,714</u>
Less accumulated depreciation for:				
Buildings	1,650,425	135,562	-	1,785,987
Building improvements	404,554	41,163	-	445,717
Furniture, fixtures and equipment	<u>188,235</u>	<u>26,320</u>	<u>(15,167)</u>	<u>199,388</u>
Total accumulated depreciation	<u>2,243,214</u>	<u>203,045</u>	<u>(15,167)</u>	<u>2,431,092</u>
Total capital assets being depreciated - net	<u>4,298,934</u>	<u>(132,312)</u>	<u>-</u>	<u>4,166,622</u>
Governmental activities capital assets - net	<u>\$ 4,322,934</u>	<u>\$ (132,312)</u>	<u>\$ -</u>	<u>\$ 4,190,622</u>

Depreciation expense was charged to the functions of the primary government as follows:

Plant operation	<u>\$ 132,312</u>
-----------------	-------------------

NOTE 6 - LONG-TERM DEBT

A. Governmental Debt

General Fund

Long-term debt payable by the General Fund, which consists of bonds payable, is summarized as follows:

	<u>Principal Balance</u>
Bonds payable - School Bond - Series 2000, due in varying annual amounts, interest rate 5.35% to 7.75%, maturing in 2025.	\$ 1,095,000
Bonds payable - School Bond - Series 2004, due in annual payments of \$115,644, interest rate 4.25%, maturing in 2043.	<u>1,915,711</u>
	3,010,711
Less current portion of governmental long-term debt	<u>(109,022)</u>
Total governmental long-term debt	<u>\$ 2,901,689</u>

A summary of changes in governmental long-term debt for the year ended June 30, 2014, is as follows:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2014</u>	<u>Amount due Within One Year</u>
School bonds - Series 2000	\$ 1,165,000	\$ -	\$ (70,000)	\$ 1,095,000	\$ 75,000
School bonds - Series 2004	1,880,404	63,881	(28,574)	1,915,711	34,022
Total	<u>\$ 3,045,404</u>	<u>\$ 63,881</u>	<u>\$ (98,574)</u>	3,010,711	<u>\$ 109,022</u>
Less: current portion of governmental long-term debt				<u>(109,022)</u>	
Total governmental long-term debt				<u>\$ 2,901,689</u>	

Interest paid during the year ended June 30, 2014, on governmental long-term debt amounted to \$158,134.

Governmental debt service requirements to maturity including interest of \$1,885,336 are as follows:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 109,022	\$ 146,697	\$ 255,719
2016	115,496	141,060	256,556
2017	117,034	134,963	251,997
2018	123,639	128,797	252,436
2019	130,314	122,108	252,422
2020-2024	784,341	493,049	1,277,390
2025-2029	413,534	302,616	716,150
2030-2034	350,534	227,686	578,220
2035-2039	433,364	144,856	578,220
2040-2044	<u>433,433</u>	<u>43,504</u>	<u>476,937</u>
Total	<u>\$ 3,010,711</u>	<u>\$ 1,885,336</u>	<u>\$ 4,896,047</u>

NOTE 7 - DEFERRED INFLOWS OF RESOURCES - PROPERTY TAXES

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer inflows recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred inflows reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes	<u>\$ -</u>	<u>\$ 293,000</u>	<u>\$ 293,000</u>

Funds that are earned, but not available, are realized as revenue under GASB #33.

NOTE 8 - FUND BALANCES - GOVERNMENTAL FUNDS

Assigned - represents \$54,223 of Student Activity funds assigned for a specific purpose.

NOTE 9 - INTERNAL BALANCES

Internal balances at June 30, 2014, consist of the following:

<u>Due to:</u>	<u>Due from:</u> <u>Federal Projects</u> <u>Fund</u>
General Fund	<u>\$ 32,761</u>

Internal balance represents amounts paid by the General Fund on behalf of the Federal Projects Fund that are to be reimbursed in the next fiscal year.

NOTE 10 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position:

The governmental fund balance includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that, "long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds". The details of this \$(3,010,711) difference are as follows:

Bonds payable	<u>\$(3,010,711)</u>
Net adjustment	<u>\$(3,010,711)</u>

NOTE 10 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances and the government-wide Statement of Activities:

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between net changes in fund balances for total governmental funds and changes in net position of governmental activities as reported in the government-wide Statement of Activities. One element of that reconciliation explains that, "Governmental funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense". The details of this \$(132,312) difference are as follows:

Depreciation expense	\$ (203,045)
Capital outlay	<u>70,733</u>
Net adjustment	<u>\$ (132,312)</u>

Another element of that reconciliation states that, "Repayment of long-term debt is reported as an expenditure in governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position". The details of this \$98,574 difference are as follows:

Principal repayments:	
Bonds	<u>\$ 98,574</u>
Net adjustment	<u>\$ 98,574</u>

NOTE 11 - COMPLIANCE WITH FINANCE RELATED LEGAL AND CONTRACTUAL PROVISIONS

Tennessee Code Annotated (TCA) Section 6-56-203 requires an annual balanced budget for the General Fund and each special revenue fund. During the year, the Student Activity Fund had expenditures that exceeded its budgeted amount by \$5,874.

NOTE 12 - SALARY SUPPLEMENTS

No salary supplements were paid to any employee of the School from Activity Funds.

NOTE 13 - DEFINED BENEFIT PLAN

Plan Description

The Richard City Schools contribute to the State Employees, Teachers, and Higher Education Employees' Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHIEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 15th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.tn.gov/treasury/tcrs/schools.

Funding Policy

Most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for Richard City Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2014, was 8.88% of annual covered payroll. The employer contribution requirement for Richard City Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2014, 2013 and 2012 were \$89,994, \$80,563, \$110,356 and respectively, equal to the required contributions for each year.

NOTE 14 - COMMERCIAL INSURANCE

It is the policy of the School to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property, and employee health. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 15 - CONTINGENT LIABILITIES

As of June 30, 2014, the School does not have any material contingent liabilities that would have a material effect on the School's financial condition.

NOTE 16 - LITIGATION AND CLAIMS

Certain claims and lawsuits are pending against the School. In the opinion of the School management, the potential loss on all claims and lawsuits will not be significant to the School's financial statements.

NON-MAJOR GOVERNMENTAL FUNDS

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenues that are legally restricted to finance specific functions or activities of government and which, therefore, cannot be diverted to other uses.

Student Activity Fund

This fund accounts for proceeds received from proceeds of athletic events, concessions and fund-raisers and for the disbursement of those funds.

Federal Projects Fund

This fund accounts for federal project funds received from the Federal Government and for disbursement of those funds for federal programs of the Richard City-Deptford School.

RICHARD CITY-DEPTFORD SCHOOL
Non-major Governmental Funds
Combining Balance Sheet
June 30, 2014

	Special Revenue Funds		Total Non-major Governmental Funds
	Student Activity Fund	Federal Projects Fund	
ASSETS			
Cash	\$ 64,093	\$ 19,880	\$ 83,973
Accounts receivable	10	-	10
Grants receivable	-	12,881	12,881
TOTAL ASSETS	\$ 64,103	\$ 32,761	\$ 96,864
 LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 3,880	\$ -	\$ 3,880
Accrued liabilities	6,000	-	6,000
Due to other funds	-	32,761	32,761
Total liabilities	9,880	32,761	42,641
 Fund Balances			
Assigned	54,223	-	54,223
Total fund balances	54,223	-	54,223
TOTAL LIABILITIES AND FUND BALANCES	\$ 64,103	\$ 32,761	\$ 96,864

RICHARD CITY-DEPTFORD SCHOOL
Non-major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2014

	Special Revenue Funds		Total Non-major Governmental Funds
	Student Activity Fund	Federal Projects Fund	
REVENUES			
Other local revenues	\$ 157	\$ -	\$ 157
Intergovernmental	-	182,951	182,951
Student activities	132,450	-	132,450
TOTAL REVENUES	<u>132,607</u>	<u>182,951</u>	<u>315,558</u>
EXPENDITURES			
Current expenditures			
Regular instruction	-	87,275	87,275
Special education program	-	37,803	37,803
Other student support	-	847	847
Regular and special education support	-	57,026	57,026
Student activities	120,024	-	120,024
TOTAL EXPENDITURES	<u>120,024</u>	<u>182,951</u>	<u>302,975</u>
Excess (deficiency) of revenues over (under) expenditures	12,583	-	12,583
Fund balances - beginning	<u>41,640</u>	<u>-</u>	<u>41,640</u>
Fund balances - end	<u>\$ 54,223</u>	<u>\$ -</u>	<u>\$ 54,223</u>

RICHARD CITY-DEPTFORD SCHOOL
Student Activity Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2014

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Other local revenues				
Interest	\$ 100	\$ 100	\$ 157	\$ 57
Student activities				
Annual	7,000	7,000	12,137	5,137
Instruction supplies	15,400	15,400	14,153	(1,247)
Magazine sales	2,500	2,500	-	(2,500)
School production and trips	28,500	33,000	8,630	(24,370)
Fund-raising	3,000	3,000	-	(3,000)
Maintenance and operations	5,400	5,400	-	(5,400)
Athletics	21,200	21,200	42,548	21,348
Senior class	1,000	1,000	328	(672)
Administration	4,100	4,100	500	(3,600)
Class and clubs	33,500	29,250	54,154	24,904
Total student activities	121,600	121,850	132,450	10,600
TOTAL REVENUES	121,700	121,950	132,607	10,657
EXPENDITURES				
Current expenditures				
Annual	7,000	7,000	10,591	(3,591)
Instruction supplies	10,550	10,550	4,360	6,190
Magazine sales	2,000	2,000	-	2,000
School production and trips	27,900	32,400	8,549	23,851
Fund-raising	2,500	2,500	-	2,500
Maintenance and operations	5,200	5,200	150	5,050
Athletics	21,000	21,000	47,851	(26,851)
Administration	3,000	3,000	2,055	945
Class and clubs	35,000	30,500	46,468	(15,968)
Total student activities	114,150	114,150	120,024	(5,874)
TOTAL EXPENDITURES	114,150	114,150	120,024	(5,874)
Excess (deficiency) of revenues over (under) expenditures	7,550	7,800	12,583	4,783
Fund balances - beginning	41,640	41,640	41,640	-
Fund balances - end	\$ 49,190	\$ 49,440	\$ 54,223	\$ 4,783

RICHARD CITY-DEPTFORD SCHOOL
Federal Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2014

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable
				(Unfavorable)
REVENUES				
Intergovernmental				
Title I	\$ 64,780	\$ 78,890	\$ 68,108	\$ (10,782)
Title II - Part A	10,273	28,271	14,410	(13,861)
Title VI	21,563	20,131	29,617	9,486
IDEA - Part B	68,191	71,116	67,349	(3,767)
IDEA - Preschool	4,341	4,864	3,467	(1,397)
TOTAL REVENUES	<u>169,148</u>	<u>203,272</u>	<u>182,951</u>	<u>(20,321)</u>
EXPENDITURES				
Current expenditures				
Regular instruction				
Salaries	36,683	38,768	38,776	(8)
Payroll taxes	2,806	2,829	2,657	172
Retirement	3,257	3,284	3,294	(10)
Supplies and materials	27,207	40,149	42,460	(2,311)
Other charges	250	350	88	262
Total regular instruction	<u>70,203</u>	<u>85,380</u>	<u>87,275</u>	<u>(1,895)</u>
Special education program				
Salaries	33,138	31,879	31,877	2
Payroll taxes	2,536	2,440	2,424	16
Supplies and materials	2,817	5,370	3,502	1,868
Total special education program	<u>38,491</u>	<u>39,689</u>	<u>37,803</u>	<u>1,886</u>
Other student support				
Salaries	2,452	2,452	705	1,747
Payroll taxes	188	188	54	134
Other charges	500	500	88	412
Total other student support	<u>3,140</u>	<u>3,140</u>	<u>847</u>	<u>2,293</u>

(Continued)

RICHARD CITY-DEPTFORD SCHOOL
Federal Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended June 30, 2014

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable
				(Unfavorable)
EXPENDITURES (Continued)				
Current expenditures (Continued)				
Regular and special education support				
Salaries	\$ 32,124	\$ 34,269	\$ 32,063	\$ 2,206
Payroll taxes	2,459	2,625	2,314	311
Retirement	2,403	2,411	2,418	(7)
Contracted services	6,027	6,014	4,715	1,299
Supplies and materials	2,306	2,714	1,224	1,490
Staff development	3,431	12,925	10,306	2,619
Travel	4,064	9,105	3,666	5,439
Other charges	1,500	5,000	320	4,680
Total regular and special education support	54,314	75,063	57,026	18,037
TOTAL EXPENDITURES	166,148	203,272	182,951	20,321
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - end	\$ -	\$ -	\$ -	\$ -

SUPPLEMENTARY INFORMATION

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Program Identification Number	(Receivable) Deferred July 1, 2013	Receipts	Expenditures	(Receivable) Deferred June 30, 2014
<u>FEDERAL FINANCIAL ASSISTANCE</u>						
U.S. Department of Education						
Passed through Tennessee Department of Education:						
Elementary and Secondary Education Act - Title I, Part A	84.010	2014.01	\$ (14,369)	\$ 79,141	\$ 68,108	\$ (3,336)
IDEA - Part B	84.027	2014.01	(24,438)	90,696	67,349	(1,091)
IDEA - Preschool	84.392A	2014.01	(472)	3,622	3,467	(317)
Title II, Part A	84.367	2014.01	(3,698)	17,791	14,410	(317)
Title VI	84.358A		(3,340)	25,137	29,617	(7,820)
State Discretionary - Coordinated School Health - Expansion	84.397		(47,280)	93,766	73,000	(26,514)
Total federal financial awards			(93,597)	310,153	255,951	(39,395)
<u>STATE FINANCIAL ASSISTANCE</u>						
State Discretionary - Early Childhood Education - Pilot/State			(69,730)	123,449	96,366	(42,647)
TOTAL FEDERAL AND STATE AWARDS			\$ (163,327)	\$ 433,602	\$ 352,317	\$ (82,042)

RICHARD CITY-DEPTFORD SCHOOL
Notes to the Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2014

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and state grant activity of Richard City-Deptford School and is presented on the modified accrual basis of accounting.

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Bonds of School Officials
Year Ended June 30, 2014

<u>Employee</u>	<u>Insurance Company</u>	<u>Bond</u>	<u>Expires</u>
Cindy Blevins, Director of Schools	Western Surety Company	\$ 150,000	09/05/2015
Jennifer Olton, Bookkeeper	Western Surety Company	\$ 150,000	06/30/2014
Teresa Lakey, Human Resources	Western Surety Company	\$ 150,000	09/05/2015

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Debt Service Requirements
June 30, 2014

SCHOOL BOND - SERIES 2000
Bearing interest at the annual rate of 5.35-7.75%

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 75,000	\$ 65,075	\$ 140,075
2016	80,000	60,912	140,912
2017	80,000	56,353	136,353
2018	85,000	51,792	136,792
2019	90,000	46,778	136,778
2020	100,000	41,467	141,467
2021	105,000	35,468	140,468
2022	110,000	29,167	139,167
2023	115,000	22,513	137,513
2024	125,000	15,555	140,555
2025	<u>130,000</u>	<u>7,930</u>	<u>137,930</u>
Total	<u>\$ 1,095,000</u>	<u>\$ 433,010</u>	<u>\$ 1,528,010</u>

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Debt Service Requirements
June 30, 2014

SCHOOL BOND - SERIES 2004
Bearing interest at the annual rate of 4.25%

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 34,022	\$ 81,622	\$ 115,644
2016	35,496	80,148	115,644
2017	37,034	78,610	115,644
2018	38,639	77,005	115,644
2019	40,314	75,330	115,644
2020	42,061	73,583	115,644
2021	43,884	71,760	115,644
2022	45,786	69,858	115,644
2023	47,770	67,874	115,644
2024	49,840	65,804	115,644
2025	52,000	63,644	115,644
2026	54,254	61,390	115,644
2027	56,605	59,039	115,644
2028	59,058	56,586	115,644
2029	61,617	54,027	115,644
2030	64,288	51,356	115,644
2031	67,074	48,570	115,644
2032	69,981	45,663	115,644
2033	73,013	42,631	115,644
2034	76,178	39,466	115,644
2035	79,479	36,165	115,644
2036	82,923	32,721	115,644
2037	86,517	29,127	115,644
2038	90,267	25,377	115,644
2039	94,178	21,466	115,644
2040	98,260	17,384	115,644
2041	102,518	13,126	115,644
2042	106,961	8,683	115,644
2043	111,597	4,047	115,644
2044	<u>14,097</u>	<u>264</u>	<u>14,361</u>
Total	<u>\$ 1,915,711</u>	<u>\$ 1,452,326</u>	<u>\$ 3,368,037</u>

RICHARD CITY-DEPTFORD SCHOOL
General Fund
Schedule of Tax Rates, Assessments and Taxes Receivable
June 30, 2014

<u>Year of Levy</u>	<u>Special School District Tax Rate Per \$100 Assessment Plus Allotment</u>	<u>Marion County Allotment ADA Rate</u>	<u>Special School District Assessment</u>	<u>Marion County Assessment</u>	<u>Property Taxes Receivable</u>
2014	\$.1965	.0669%	\$ 12,929,803	\$ 658,005,189	\$ 293,000
2013	\$.1965	.0745%	\$ 12,767,391	\$ 649,741,158	4,932
2012	\$.1965	.0694%	\$ 12,688,335	\$ 645,716,775	-
2011	\$.19	.0649%	\$ 11,287,300	\$ 517,719,568	-
2010	\$.21	.0648%	\$ 8,523,810	\$ 424,382,716	-
2009	\$.21	.0708%	\$ 8,571,429	\$ 388,418,079	-
2008	\$.21	.0652%	\$ 9,857,143	\$ 480,061,350	-
2007	\$.21	.0652%	\$ 10,603,260	\$ 517,570,844	-
2006	\$.21	.0652%	\$ 9,823,948	\$ 474,494,865	-
2005	\$.21	.0652%	\$ 9,407,447	\$ 414,256,656	-
					297,932
Less allowance for uncollectibles - see note below.					(-)
					<u>\$ 297,932</u>

Marion County has periodic public sales of delinquent tax properties and all delinquent property taxes are eventually collected. Accordingly, there is no allowance for uncollectible taxes.

The Richard City-Deptford Schools receive the \$1.965 special school district taxes on property in the Richard City-Deptford School District, as well as a portion of the real property taxes for Marion County that is allotted to schools. The percentage they receive is adjusted based on school attendance.

III. INTERNAL CONTROL AND COMPLIANCE SECTION



Certified Public
Accountants

301 N. Market
Chattanooga, TN
37405

Office: 423-756-1170
Fax: 423-756-1436
www.jmw-cpa.com

Members
American Institute
of Certified
Public Accountants

Paul Johnson, III, CPA

Brian T. Wright, CPA

Karen Hutcherson, CPA

Marianne Greene, CPA

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education
Richard City-Deptford School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and major fund, and the aggregate remaining fund information of Richard City-Deptford School as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Richard City-Deptford School's basic financial statements and have issued our report thereon dated October 31, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Richard City-Deptford School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Richard City-Deptford School's internal control. Accordingly, we do not express an opinion on the effectiveness of Richard City-Deptford School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Board of Education
Richard City-Deptford School
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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as 14-1, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Richard City-Deptford School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompany Schedule of Findings and Responses as item 14-2.

Richard City-Deptford School's Response to Findings

Richard City-Deptford School's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. Richard City-Deptford School's response was not subjected to the auditing procedures applied the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Chattanooga, Tennessee
October 31, 2014

Johnson, Murphy & Wright, P.C.

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Findings and Responses
June 30, 2014

SUMMARY OF AUDIT RESULTS

Opinion:

Unqualified opinion issued on the financial statements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Deficiencies:

During the audit of the financial statement, a significant deficiency in internal controls was disclosed.

Material Noncompliance:

One instance of noncompliance or other matters was disclosed.

FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

INTERNAL CONTROL:

Finding 14-1 - Approvals and Documentation (repeat 13-1)

Criteria:

Government Auditing Standards Chapter A.06(h) states that, “inadequate controls for the safeguarding of assets” is a control deficiency.

Condition:

Cash collected from the cafeteria is not properly documented.

Cause:

Cash register should produce a report of the days sales that the deposit ties back to.

Effect:

Without controls on all collections, cash could be misappropriated.

Management’s Response:

We concur. We will make every effort to correct this issue in the future.

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Findings and Responses (Continued)
June 30, 2014

**FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO
BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT
AUDITING STANDARDS** (Continued)

COMPLIANCE:

Finding 14-2 - Expenditures Exceeded Budget

Criteria:

Tennessee Code Annotated (TCA) Section 6-56-203 states that no municipality may expend any moneys regardless of their source ...except in accordance with a budget ordinance...

Condition:

Expenditures in the Student Activity Fund exceeded the amount budgeted by \$5,874.

Cause:

The School's budget was not amended to account for all expenditures.

Effect:

Without following proper procedures, the School has failed to authorize all expenditures by the end of the fiscal year.

Management's Response:

We concur. We will make every effort in the future to provide for all expenditures in our budget.

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Prior Audit Findings
June 30, 2014

INTERNAL CONTROLS

Finding 13-1 - Approvals and Documentation
Still in effect.

COMPLIANCE

Finding 13-2 - Violation of Debt Covenant
Corrected.